

BALTIMORE SUN
2 December 1986

Reagan backs independent Iran inquiry

Senate resumes secret questioning of Iran figures

By Nancy J. Schwerzler
Washington Bureau of The Sun

WASHINGTON — The Senate Intelligence Committee questioned former national security adviser Robert C. McFarlane for several hours yesterday, and Senate party leaders agreed that a special inquiry panel should be created to investigate Iranian arms sales and the diversion of funds to the "contra" rebels of Nicaragua.

But there was no agreement on when such an inquiry panel should be created. Senate GOP leader Robert J. Dole, R-Kan., urged convening a special session of Congress now, while his party still controls the Senate, to name a special committee. Senate Democratic leader Robert C. Byrd, D-W.Va., insisted on waiting until Congress reconvenes in January, when Democrats will assume control of the Senate.

Representative Jim Wright, D-Texas, who is to become speaker of the House in January, also said that he opposed convening a special session of Congress now.

However, the president could call Congress into special session for the purpose of naming an inquiry panel, and Democratic leaders said they would go along with such a move.

Mr. Dole and other GOP leaders were scheduled to meet with the president today to urge the calling of a special session as well as the appointment of an independent counsel, or special prosecutor, to conduct an independent investigation.

There is growing bipartisan support on Capitol Hill for the appointment of an independent probe of possible criminal violations apart from the congressional inquiries,

and Mr. Dole joined that chorus yesterday.

"An independent counsel would be helpful," Mr. Dole said. "Nobody is trying to second-guess the attorney general, but he is close to the president," and an independent inquiry would be "in the best interests of the president."

"A special prosecutor can do something that no legislative committee can do, and that is if people have broken the law, [it can] prosecute them, convict them and have them sent to jail," said Sen. Patrick Leahy, D-Vt., vice chairman of the Senate intelligence panel.

The committee resumed its inquiries into the Iran arms affair yesterday in the first formal session since the disclosure that profits from the sale were diverted to contras. Earlier, the panel heard testimony from CIA Director William J. Casey on Iran arms shipments.

Amid unusual security precautions that barred cameras from the office building where the secret hearings were held, the panel met for 12 hours, 10 of them devoted to taking sworn testimony.

In addition to Mr. McFarlane, the committee also heard from Lt. Col. Oliver L. North, who was fired from the staff of the National Security Council last week after disclosure of the funds diversion to contra rebels.

[The Knight News Service also reported that former deputy CIA director John McMahon testified. Mr. McMahon reportedly was ordered by Colonel North to provide an airplane in November 1985 to transport what he was told was oil-drilling equipment to Iran but which in fact was parts for U.S.-made Hawk missiles, Knight reported. Mr. McMahon resigned without explanation in February.]

Colonel North has been called by Attorney General Edwin W. Meese III — the mastermind of the diversion.

"No one in the world believes that Oliver North was acting alone," said Sen. Thomas Eagleton, D-Mo., a member of the intelligence panel. "Lieutenant colonels don't intervene in one war, i.e., Iran-Iraq, and run another war — contras-Nicaragua — on their own. . . . We've got lieutenant colonels wandering around in this building who are in charge of taking senators on trips."

Several senators yesterday criticized President Reagan's characterization of Colonel North as a "national hero" in a recent magazine interview.

"Some of the most dangerous people I know are people who are ill-informed and have bad judgment, even though they might be well-motivated . . . obviously Mr. North has made some very serious errors," said Sen. David Boren, D-Okla.

Mr. Boren, who emerged from the secret hearing while Mr. McFarlane was still testifying, said he had "not been surprised" by anything he had

heard so far.

Committee aides and most members of the panel refused to discuss the agenda of the inquiry or the witnesses who would be called. Mr. Eagleton said the committee would "hit people with a subpoena" to compel their testimony and to supply documents to the investigators.

"It's very useful in an investigation to get statements of witnesses on the record, under oath, contemporaneous to the time and events in question," he said.

Sen. David Durenberger, R-Minn., chairman of the intelligence panel, said that the questioning of witnesses would likely continue for two weeks and that then the committee would review transcripts of the testimony and decide on further action.

After the session broke up, Senator Durenberger refused to comment on what senators were told but said, "I am satisfied we are getting the kind of candor we had hoped for."

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Senate Panel Quizzes Ex-NSC Aides

McFarlane and North Testify in Closed Hearing

By Dusko Doder and Helen Dewar

Washington Post Staff Writers

The Senate Select Committee on Intelligence began a closed-door probe into the Reagan administration's clandestine Iranian and Nicaraguan operations yesterday, taking sworn testimony from former national security adviser Robert C. McFarlane and Lt. Col. Oliver L. North, who was fired from the National Security Council staff for his involvement in the operations.

A third witness, believed to have been John McMahon, a former deputy director of the Central Intelligence Agency, also testified during the marathon session, which lasted nearly 12 hours. Committee members refused to confirm the identity of the third witness.

McFarlane, who helped arrange an arms deal for Iran that subsequently diverted an estimated \$10 million to \$30 million in funds to aid the Nicaraguan antigovernment rebels, or contras, testified for nearly 6½ hours. When he emerged from the session around nightfall, he looked flushed and grim and refused to talk with reporters.

McFarlane's appearance before the committee was requested over the weekend, and he worked into the early hours Sunday preparing for his testimony with his attorney, Leonard Garment, White House counsel in the Nixon administration.

A source familiar with his testimony said McFarlane was asked repeatedly about who else in the administration he told about the diversion of money to aid the contras after learning of it from North last May. McFarlane reportedly responded that he did not tell others because he thought they knew.

McFarlane said last week that he assumed the operation was administration policy.

McMahon, as CIA deputy director, agreed in November 1985 to provide agency assistance in getting an airplane for an arms shipment to Iran after an unusual oral request from North. According to Sen. Daniel Patrick Moynihan (D-N.Y.), McMahon approved North's request but warned that he would require an order from President Reagan to do it again.

In February, McMahon quit his job without explanation. In the same month, the first U.S. shipment of 500 TOW antitank missiles went from the United States to Israel and then to Iran.

North appeared before the Senate committee last night, after McFarlane and McMahon. Attorney General Edwin Meese III said last week that North had "precise knowledge" about the operation.

Vice Adm. John M. Poindexter, who Meese said knew about the diversion of money to aid the contras but did not stop it and who resigned as Reagan's national security adviser last week, is expected to testify today.

Committee chairman David F. Durenberger (R-Minn.) told reporters before the day-long session that the initial phase of the inquiry would last two weeks. On Dec. 15, he said, the panel will decide whether to broaden the investigation and call Cabinet members to testify.

Operating under an extraordinarily tight, self-imposed gag rule, committee members refused to disclose their agenda, witness list or details of testimony.

But Sen. Thomas F. Eagleton (D-Mo.) said McFarlane testified under oath about the secret sale of arms to Iran and subsequent diversion of funds to aid the contras.

"Yeah, I'm sure it was McFarlane. It wasn't Santa Claus," Eagleton told reporters as he left the session on the second floor of the Senate's Hart office building.

Asked about Reagan's reference in a Time magazine interview to North as a "national hero," Durenberger said, "national heroes are not excluded from the list [of potential witnesses], nor are national security directors."

Sen. David L. Boren (D-Okla.), who will take over as chairman of the panel when the Democrats assume control of the Senate next month, said he has sent a letter to Reagan urging appointment of an independent counsel to investigate any wrongdoing in the operation.

Boren also suggested that Reagan should consider replacing White House chief of staff Donald T. Regan. "Frankly, it would be wise to seriously consider naming a new White House chief of staff who is completely free of any possible reason to be defensive about past mistakes which may have been made by White House subordinates," Boren said.

Before North testified yesterday, Eagleton said of the former NSC aide: "I don't think anyone questions his gut patriotism. He's a courageous guy . . . But lots of people question his judgment and legal accountability. Even patriots can make horrendous, grossly illegal mistakes."

No one believes North operated alone in the Iran-Nicaragua operation, Eagleton added. "It just doesn't fall into the rank of lieutenant colonels. We have lieutenant colonels wandering around this building arranging senators' trips. In fact, we have a colonel" doing that, he said.

Emerging after yesterday's hearing, which ended well after 9 last night, Durenberger and the committee's vice chairman, Patrick J. Leahy (D-Vt.), refused to comment on the substance of the inquiry.

"I am satisfied that we are getting the kind of candor we were hoping to get and the kind of cooperation from the administration that the president and others have promised," Durenberger said. He invoked the "procedures on secrecy" in committee rules to sidestep questions.

Durenberger said the committee was conducting its inquiry "for our purposes" to determine which intelligence agencies were involved in the operations. "We don't know yet what we have," he said. Leahy described the inquiry as "a fact-finding process" at this stage.

The committee plans three more days of hearings this week and three or four days next week. "At the conclusion of this process we will make a decision" whether to broaden to inquiry to include some Cabinet officials, Durenberger said.

As the Senate panel was beginning its probe, the House Foreign Affairs Committee and the House Permanent Select Committee on Intelligence scheduled sessions for next week with McFarlane, North, Poindexter and Secretary of State George P. Shultz.

Staff members of the two House committees said the schedules could be changed. "These all should be folded into one joint hearing; otherwise Congress will create sympathy for them [the witnesses] having to go from one committee to another," one aide said.

BOSTON GLOBE
2 December 1986

Casey lacked approval from Reagan, aides say

Los Angeles Times

WASHINGTON - The director of Central Intelligence, William J. Casey, personally approved CIA participation in a secret US-Israeli shipment of arms to Iran in November 1985, officials said yesterday, contradicting the account he initially gave to the House and Senate Intelligence committees.

Casey ordered the CIA to provide "logistical support" for the shipment at the request of Lt. Col. Oliver L. North Jr., then a member of the National Security Council staff. The order came two months before President Reagan signed the written intelligence "finding" normally required for such activity, the officials said.

The president did not learn of the November 1985 arms shipment until February, three months after it had taken place, Attorney General Edwin Meese 3d said last week. Casey apparently ordered CIA involvement in the belief that he was acting in accordance with White House wishes.

Casey told the intelligence panels on Nov. 21 that the CIA's role in the shipment had been approved by John N. McMahon, then the agency's deputy director for operations, committee members said.

But Casey later told the Senate committee that he had "misspoke," two knowledgeable officials said, reportedly after McMahon

contested the Casey version.

McMahon "was furious" after he learned that some members of Congress believed that he had approved the shipment on his own authority, a source said.

The November shipment has been a focus of questions from members of the two intelligence committees because it marked the first CIA involvement in the Reagan administration's secret arms pipeline to Iran, and because the agency acted without a formal order from Reagan.

Casey refused to comment yesterday on the shipment or on his accounts of its approval.

But members of the intelligence committees and several other sources said that the CIA helped ship the cargo at the request of the National Security Council staff.

It was not immediately clear whether the CIA's role in the shipment may have violated the law.

The National Security Act, which governs intelligence operations, bars the CIA from aiding or conducting a covert operation abroad unless the president issues a finding that the operation is in the national interest. And a senior administration official said last month at the White House that the United States sent no arms shipments to Iran before Reagan signed the Jan. 17 finding because "that would have been illegal, and I have said we didn't do anything illegal."

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ON PAGE 1BOSTON GLOBE
2 December 1986

Senate panel hears three ex-officials

By Adam Pertman
Globe Staff

WASHINGTON - The Senate Intelligence Committee yesterday began two weeks of closed-door hearings into the White House's controversial Iran policy by taking sworn testimony from three former administration officials.

Robert C. McFarlane, President Reagan's former national security adviser, was the lead-off witness, testifying for more than six hours.

Late in the evening he was followed by Marine Lt. Col. Oliver North Jr., the man identified by the administration as the only White House official who knew all the details of an initiative in which some profits from arms sales to Iran went to the rebels in Nicaragua.

The committee also heard from John N. McMahon, who resigned as deputy CIA director in February amidst speculation that he was unhappy with covert action taken by the agency.

Committee members would not specify what had been discussed during the daylong session, which was held as momentum built on Capitol Hill for a Watergate-style congressional committee to investigate the administration's much-criticized enterprise.

In another development, Sen. Robert Dole of Kansas, the Republican majority leader, seemed to raise the political stakes over the controversy by saying Reagan has to act quickly or risk damage to his entire party and its members.

Dole said that is the message he relayed yesterday to Donald Regan, the White House chief of staff, and the one that he would deliver to Reagan today at a meeting with a half-dozen Republican leaders at the White House; he said participants would discuss "where this takes us as a party."

Dole, an undeclared candidate for the GOP's 1988 presidential nomination, effectively said the burden on Reagan was far greater than just minimizing the fallout for his administration.

"This does reflect on the Republican Party and Republicans, not just on White House staff and others involved," Dole told reporters. Alluding to the Watergate scandal, he added, "Having been through this process one time, it seems to me we ought to cut our losses."

McFarlane, who left his post with the White House a year ago,

was the lead-off witness in the formal committee hearings on the Iran episode.

While he did not initiate the plan that has caused a firestorm of criticism against Reagan, McFarlane did carry out at least one mission to Iran in helping implement the policy. Questioning yesterday presumably focused on his role and on his knowledge of who else was involved.

Vice Adm. John Poindexter, who succeeded McFarlane as the president's national security adviser and was the architect of the Iran operation, also is expected to testify. Poindexter, the object of intense criticism for his actions, resigned last Tuesday, the same day North was fired as his deputy.

Sen. Dave Durenberger (R-Minn.), chairman of the Senate Intelligence Committee, said yesterday that the panel would continue its questioning for the next two weeks and then decide whether to expand its probe to include members of Reagan's Cabinet.

Sen. Patrick Leahy (D-Vt.), the vice chairman of the committee, said the line of inquiry would be as broad as possible, despite an administration request that some subjects be excluded.

"The White House asked me if I'd be willing to put certain areas of questioning off-limits," said Leahy. "I said absolutely not." He did not say who had made the request, nor did he specify what restrictions were sought.

Both Leahy and Durenberger said after the hearing last night that they were satisfied the witnesses were being forthcoming in their testimony and that the administration was being cooperative as well.

Several committees in both the House and the Senate have either expressed a desire to hold investigations of their own or have already planned some. To make the process more focused, Dole suggested on Sunday that a single "supercommittee" be established instead - a proposal backed by the incoming majority leader, Sen. Robert Byrd (D-W.Va.), and by a growing number of members of both parties.

At the same time, however, there seemed to be little enthusiasm among either Republicans or Democrats for Dole's proposal that Reagan call a special session of Congress in December to create the Watergate-style panel. Byrd repeated yesterday that he opposed the idea but would cooperate if Reagan decides to convene such a session.

Reagan's chief of staff has come under attack by more and more Republicans as the White House has seemed to sink deeper and deeper into political quicksand over the Iran-Nicaragua issue, and close associates of the president reportedly have suggested Regan be replaced.

Sen. David Boren (D-Okla.), who will become chairman of the Intelligence Committee in January, joined that call yesterday in a letter to the president. It read, in part, "Frankly, it would appear wise to seriously consider naming a new White House chief of staff who is completely free of any possible reason to be defensive about past mistakes. . . ."

Boren also said he would go along with the idea of a Watergate-style committee, a significant factor given the powerful position he is about to assume.

Dole, during a press conference after meeting with Byrd, yesterday changed his previous position and entered the growing ranks of legislators clamoring for a special prosecutor to be named by the administration to conduct an independent investigation of the overall Iran initiative.

Leahy spelled out the reason he thinks an independent investigator is needed. "The special prosecutor can do something that no legislative committee can do," he said. "And that is if people have broken the law, prosecute them, convict them and have them sent to jail."

WASHINGTON POST
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Israelis Shipped Obsolete Parts

Incident Angered Iranians, Led to Direct U.S. Role

By Walter Pincus
Washington Post Staff Writer

Israeli arms brokers substituted obsolete antiaircraft missile parts in a secret November 1985 arms shipment to Iran, angering the Iranians and causing the Reagan White House to begin sending weapons directly from U.S. military stocks, informed U.S. and Israeli sources said yesterday.

Iranian military officers had given the Israelis a list of specific spare parts for a type of antiaircraft battery known as Improved Hawk, or I-Hawk, but for reasons that are not clear they received parts for an older, less sophisticated version of the Hawk.

The November shipment was eventually returned to Israel, and the incident led the White House to stop using the Israeli arms brokers as intermediaries in the shipments. Those Israelis had begun the clandestine operation with tacit U.S. approval in the fall of 1985, when two arms shipments to Tehran resulted in the Sept. 14 release of the Rev. Benjamin Weir, who had been held hostage in Lebanon by pro-Iranian extremists.

The White House opted to begin selling parts directly from the U.S. arsenal for what became four subsequent shipments this year. The Iranians paid millions of dollars more than the \$12 million value of the weapons into a Swiss bank account, and some of those profits were secretly diverted to aid Nicaraguan contras, according to administration disclosures last week.

In a statement released yesterday, Israeli businessman Yaacov Nimrodi confirmed earlier reports that he had organized the September arms shipments to Iran as a way "to bring about the freedom of the American hostages."

He said Weir was released as a result of these activities, but that afterward, "the Americans apparently reached the conclusion that it is within their ability to continue efforts for the release of other hostages without my help."

"The negotiations continued without me," Nimrodi said. "At the same time," he added, "my friends and myself were asked to stop dealing with the subject."

Nimrodi's friends have been identified as David Kimche, the former director general of the Israeli for-

eign ministry, and Al Schwimmer, the founder of Israel Aircraft Industries.

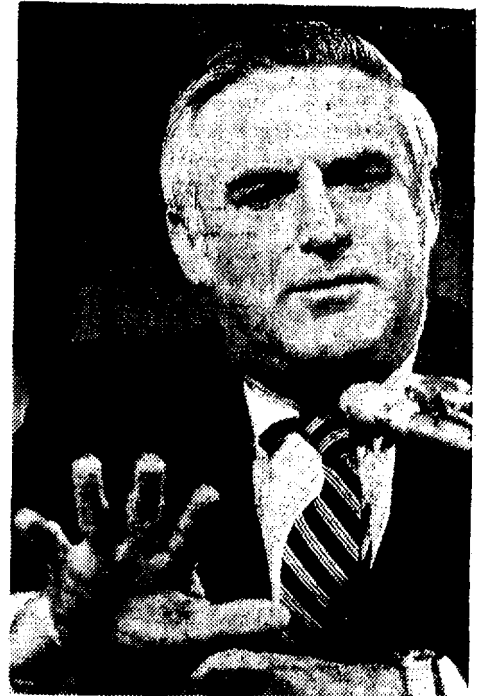
In February, 500 TOW antitank missiles were sent to Tehran directly from U.S. stocks and in late May parts for the I-Hawks were sent as a replacement for the rejected November shipment, according to informed sources.

According to these sources, some of whom were aware of the secret shipments at the time, this new phase of direct U.S. supplies stripped the White House of the "deniability" it had been able to maintain last year, when the arms were brokered by Israelis and taken from Israeli stocks that were eventually replaced by the United States.

When the direct shipments began, Marine Lt. Col. Oliver L. North of the National Security Council staff was designated as the White House liaison on the issue with the Israeli government. Israeli Prime Minister Shimon Peres selected Amiran Nir, his counterterrorism adviser, to be North's counterpart.

The White House had been told by the Israeli middlemen before Weir was freed that all five living American hostages would be released. Despite the setback in securing only one hostage, the Israelis were told that a shipment of I-Hawk parts would help to free the remaining four Americans. The Israelis chose late November for the shipment, according to one source, in part to mollify the White House in the wake of the arrest of Jonathan Pollard, who was eventually convicted of spying for Israel.

When word of the Iranian anger over the obsolete Hawk parts became known in Washington, former national security adviser Robert C. McFarlane and North, who had helped arrange the September and November shipments, "were damn angry at the Israelis for sending old equipment," said one source familiar with the transaction. The idea of sending arms to Tehran as a sign of



JOHN McMAHON

... arranged CIA help at request of North U.S. "good faith" had originated in discussions between McFarlane and Kimche in the summer of 1985.

White House officials in the past have said there was a "pause" in the Iran program about this time last year because McFarlane, North and the national security adviser, Vice Adm. John M. Poindexter, were changing their "contacts" in Iran.

A Washington source familiar with the Israeli arms deal said yesterday that Nimrodi was not involved in the November shipment and that the substitution of old parts for I-Hawk parts came about because of a "misunderstanding by people who didn't know weapons rather than a desire to cheat the Iranians."

The failure of the November shipment and the subsequent Iranian complaints came at a time when State and Defense department officials were trying to convince Pres-

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ident Reagan that he should not use arms shipments as a means for opening contacts with Iran or in seeking help to free the remaining American hostages.

The incident also took place while the arms-to-Iran program was creating controversy within the Central Intelligence Agency. John McMahon, then the CIA's deputy director, agreed to provide agency assistance in getting an airplane for the November shipment after an unusual oral request from North.

At the time, according to congressional sources, North told McMahon that the plane would be carrying oil-drilling equipment. CIA Director William J. Casey was in China at the time, sources said.

McMahon, according to Sen. Daniel Patrick Moynihan (D-N.Y.), approved North's request but warned that he would require an order from Reagan to do it again. "I'll do it once, but the next time . . . this has to come from the president in writing," Moynihan, on the NBC News program "Meet the Press," quoted McMahon as saying.

In January, the White House received word of the Iranian military's unhappiness with the Hawk shipment, but also a hint that if newer equipment were furnished, talks about the hostages could continue, according to sources.

On Jan. 17, according to White House officials, the president signed a secret intelligence order authorizing the shipment of U.S. arms to Iran as part of a covert program to open contacts and seek help in obtaining the hostages' release.

In February, according to Attorney General Edwin Meese III, the November shipment of old Hawk parts was returned to Israel. In the same month, according to informed sources, the first U.S. shipment of 500 TOW antitank missiles went from the United States to Israel and then to Iran. All of this year's shipments were routed from the United States through Israel, and in at least some cases were flown circuitously from Israel through Europe to Iran.

Also in February, the CIA's McMahon quit without explanation. He now works for the Lockheed Corp.

On May 28, McFarlane, North and two others landed in Tehran in a plane carrying parts for the I-Hawks. Iran had the weapons from the 1970s, when it was a close ally of the United States and before revolution swept out the shah and brought Ayatollah Ruhollah Khomeini to power. McFarlane has told friends that he expected all of the remaining hostages to be freed before his arrival.

The United States sent two more shipments totaling 1,500 TOW missiles in August and late October. Two more hostages, the Rev. Lawrence M. Jenco and David P. Jacobson, were released. In September and October, three more Americans were kidnaped in Beirut and reportedly are held by pro-Iranian extremists.

The idea of sending arms to Iran to cultivate contacts within the Khomeini regime began early in the Reagan administration, according to sources. In 1981, then-Secretary of State Alexander M. Haig Jr. gave tacit approval for an Israeli proposal that arms be sent to build contacts within the Iranian military. The Israeli idea, according to Moshe Arens, ambassador to Washington at the time, was to encourage the military leadership to overthrow the Khomeini regime.

No moderates in the armed forces were uncovered, Arens said recently, and U.S. support ended when Haig was convinced by his staff that the arms shipments were contrary to U.S. interests.

For the next five years, until Nov. 4, when the first reports of McFarlane's trip to Tehran appeared, the Reagan administration and the president personally emphasized that the Khomeini regime supported terrorism and that the United States would never pay ransom to extremists holding U.S. hostages. A strong corollary to these antiterrorism policies was Opera-

tion Staunch, the worldwide U.S. effort to enlist other countries in the embargo on arms shipments to Iran and Iraq as a means for ending the war.

Meese has reportedly told congressional investigators that all of the funneling of Iranian arms money to aid the Nicaraguan rebels occurred this year, beginning with the February shipment. He also told them that none of the profits from this October's shipment went to the contras, because by then Congress had approved \$100 million in military and other aid to the rebels.

6
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 ON PAGE 5**

NEW YORK DAILY NEWS
 30 November 1986

CIAer forced Ron's OK

By LARS-ERIK NELSON

News Washington Bureau Chief

WASHINGTON — John McMahon, former deputy director of the CIA, arranged a secret and apparently illegal flight of U.S. weapons to Israel and Iran last November, but then dug in his heels and demanded formal presidential authorization for any further flights, sources said yesterday.

McMahon may have paid for this lack of "cooperation" by losing his job, Sen. Daniel P. Moynihan (D-N.Y.) said. Apparently at McMahon's insistence, President Reagan agreed to issue a formal "finding" to authorize the secret and controversial weapons shipments to Iran in January 1986—and McMahon unexpectedly retired two months later.

Job with Lockheed

"I'd like to know why McMahon was forced out of the government," Moynihan said. McMahon, 57, had spent 34 years in the CIA, and currently works as an executive vice president for the Lockheed Corp., in California. He was not available for comment.

At the time of his retirement last March, McMahon issued an unusual statement declaring that he was leaving the CIA for purely personal reasons, and asserting, "I support the President's policy in Afghanistan, Nicaragua and the Third World at large and execute his directives to the fullest extent."

A number of conservative groups, however, claimed

"victory" over McMahon, accusing him of having opposed a Reagan plan to equip Afghan rebels with sophisticated anti-aircraft missiles. Aid to the Afghan rebels was supervised in part by the National Security Council's Lt. Col. Oliver North, who was fired by President Reagan last Tuesday for diverting funds from the Iran arms sales to Nicaraguan rebels.

Don't tell Congress

At the time of McMahon's departure, there was no public mention of the secret arms sale to Iran. The President's January directive ordered CIA Director William Casey not to report the operation to Congress, despite a 1984 agreement that any operation authorized by a presidential "finding" must be reported to the House and Senate intelligence committees in advance.

"Casey himself was involved in this very early on, but his attitude was, 'Don't tell me things I don't have to know,'" an intelligence source said. "And I believe that probably he didn't know everything that was going on—but he knew that he didn't know, and that there was something there to be known. That's the way the intelligence game is played."

Intelligence sources said that in November 1985, while Casey was on a trip to China, McMahon was asked to authorize the use of Southern Air Transport to fly materials, which he believed to be oil-drilling equipment, to Israel.

Embargo lifted

At the time, a presidential embargo on selling arms to Iran was still in effect, and any arms shipment would have violated the presidential embargo as well as the Export Administration Act and the Arms Export Control Act. The presidential embargo was lifted by Reagan's directive, signed on Jan. 17, 1986.

"McMahon okayed the use of Southern Air just once, and said the next time he wanted a presidential signature," a source said. "The big question is whether it was McMahon who forced the President to get involved in this by making him sign the 'finding.' Not long after that, McMahon was forced out."

Casey was described as personally fond of McMahon, a fellow Irishman and a graduate of Holy Cross who had spent his whole life in the CIA.

Richard Helms, a former CIA director who also knew McMahon, insisted that his real reason for leaving the CIA was personal.

"He just wanted to make some money," Helms said. "He had his time in. He divorced his wife, and he got a job with Lockheed. A lot of things just came together."

One Democratic congressman who asked not to be named predicted that Casey too might have to be sacrificed before Capitol Hill is satisfied that Reagan has corrected the flaws in his foreign-policy staff. "Unless the White House acts to get rid of Casey, this is going to be an open wound," he said.